GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4052
ANSWERED ON:09.12.2016
Repo Rate
Singh Shri Abhishek

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken cognizance that during the last one year RBI has lowered its repo rates considerably but commercial banks have not lowered their interest rate in same proportion thereby restricting the benefit to reach to common people;
(b) if so, the details thereof and the reasons therefor;
(c) whether the RBI has issued any guideline in this regard and if so, the details therefor along with the provision of penalty for violation of such guidelines; and
(d) the other action taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) and (b): During the period from January, 2015 to November 24, 2016, the Reserve Bank of India (RBI) reduced its policy repo rate cumulatively by 175 basis points (bps). In response, the weighted average lending rate (WALR) on fresh rupee loans and outstanding rupee loans declined by 108 bps and 76 bps, respectively (up to October, 2016).
(c) and (d): With the introduction of base rate system by RBI from 1st July, 2010 and thereafter Marginal Cost of Fund based Lending Rate (MCLR) system with effect from 1st April, 2016, all rupee lending rates have been deregulated and these rates are determined by the banks themselves as approved by their respective Boards, based on their cost of funds and commercial judgment.
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